

Contact: October 1, 2015 Ross Corson, 651-368-5050

ross.corson@state.mn.us

# Minnesota Commerce Commissioner Announces Health Insurance Company Rates for 2016

Federal Tax Credits Available to Reduce Premiums; Market Reforms Needed

SAINT PAUL – Minnesota Commerce Commissioner Mike Rothman today released the final 2016 insurance company rates for individual and small group health plans – saying that more Minnesotans than ever will qualify for federal tax credits available through MNsure to lower the cost of health coverage. Rothman also said reforms are needed to help stabilize insurance company rates in Minnesota's individual market.

Today's rate announcement comes in advance of the open enrollment period, which begins on November 1, 2015, and continues through January 31, 2016, allowing time for Minnesotans to determine the insurance options that best fit their individual health and financial needs for the next year.

"We expect that Minnesota's health insurance rates will continue to be among the lowest in the country and federal tax credits will help reduce monthly premiums for many Minnesotans," said Rothman. "But the insurance company rate increases for 2016 show a clear need for market reforms to protect consumers."

Minnesota Rates Expected to Remain Among Nation's Lowest – and the Lowest in Upper Midwest Many states have not yet approved their final rates for 2016. However, based on other states' 2015 rates and substantial proposed increases for 2016, Minnesota's rates in the individual health insurance market are expected to remain among the lowest in the nation – and the lowest in the Upper Midwest.

For insurers in Minnesota, the final average rate increases for the individual market will range from 14 percent to 49 percent, compared to the 2015 rates, which were the lowest in the nation. In Minnesota's small group market, which provides coverage to businesses with two to 100 full-time employees, the final average rate changes for 2016 range from a 12.6 percent decrease to a 5.6 percent increase.

Rothman said the rates announced today do not affect most Minnesotans, who are covered by larger employer-based insurance or public programs like Medicare, Medicaid and MinnesotaCare. About 5.5 percent of Minnesotans purchase individual policies, while about 5.4 percent get coverage from small group policies.

#### Federal Tax Credits Available to Reduce Premiums

Rothman said the impact of rate increases will be minimized for many Minnesotans because of federal financial assistance available for individual policies purchased through MNsure, the state's online health insurance exchange.

As premiums rise for the benchmark second-lowest cost "silver" plan, more consumers will qualify for federal support that will help make their health insurance more affordable. Only policies purchased through MNsure qualify for the federal assistance.

## **Consumer Choices**

Rothman urged consumers to shop around for the best value for their health care needs because the individual health insurance market next year will feature a wide range of choices among insurance companies and products. The lowest-cost plan for a consumer in 2016 may be different from the lowest-cost plan in 2015.

Eight insurers will compete for Minnesota consumers in the individual market, including at least six insurance companies in every county. Ten insurers will also be competing to offer small group coverage in 2016. All insurers in the individual and small group markets must provide coverage for a comprehensive set of essential health benefits required by law. Insurers are also no longer allowed to deny coverage or charge higher premiums to consumers based on pre-existing health conditions.

#### Reforms Needed

Rothman said that Minnesota needs new state-level tools to stabilize rates in the future. Options include risk adjustment mechanisms to spread the financial risk that insurers bear when they have more high-cost enrollees; reinsurance to provide a backstop so an insurer does not incur deep losses from a large number of costly claims; and policies to foster price transparency and cost competition among insurers and providers.

Rothman said he will also ask the newly-formed Minnesota Health Care Financing Task Force to take up these issues. Rothman is a member of the task force.

"The individual market in Minnesota has seen a higher concentration of sicker, more expensive patients than insurance companies expected," said Rothman. "As a result, insurers have paid out more money for medical claims than they have taken in from the premiums they charge. In this market environment, the rate review process alone is limited in what it can do to restrain rate increases. We need new tools to stabilize the market so all Minnesotans have access to affordable health coverage."

## Effective Rate Review Process Included Public Input

A longtime national leader in insurance rate review, the Minnesota Commerce Department has a federally-certified "effective rate review program" with a team of actuaries and experts who closely scrutinize the assumptions and information used by health insurers to develop their rates.

In May, insurance companies submitted their proposed 2016 plans and rates to the Commerce Department. On behalf of Minnesota consumers, the Department conducted a careful, detailed review of each insurance proposal. Rates must be justified both by the benefits that consumers receive for their premiums and by the insurance company's ability to pay expected medical claims costs based on premium revenue. Policies must also comply with state and federal laws that protect consumers, including coverage of pre-existing conditions and free preventive care.

This year, health insurance rate proposals were publicly available in Minnesota for the first time. To involve Minnesotans in the review process, the Commerce Department also accepted public comments on the rate proposals for the first time this year.

"We received dozens of comments from Minnesotans as part of our rate review," said Rothman. "I personally read every one of them, and I share their concerns about the need for affordable quality health care. My number one priority is to do what is best for Minnesota consumers. In the rate review process, that means doing everything within our power to keep rates down while also making sure insurance companies are able to meet their financial obligations to consumers."

For more information on the rate review process and health insurance in Minnesota, please visit the Commerce Department's <u>rate review webpage</u>.

### **COMMERCE IS HERE TO HELP**

If you have questions about your insurance policy or a claim, contact the Minnesota Commerce Department's Consumer Services Center by email at <a href="mailto:consumer.protection@state.mn.us">consumer.protection@state.mn.us</a> or by phone at 651-539-1600 or 800-657-3602 (Greater Minnesota).

###